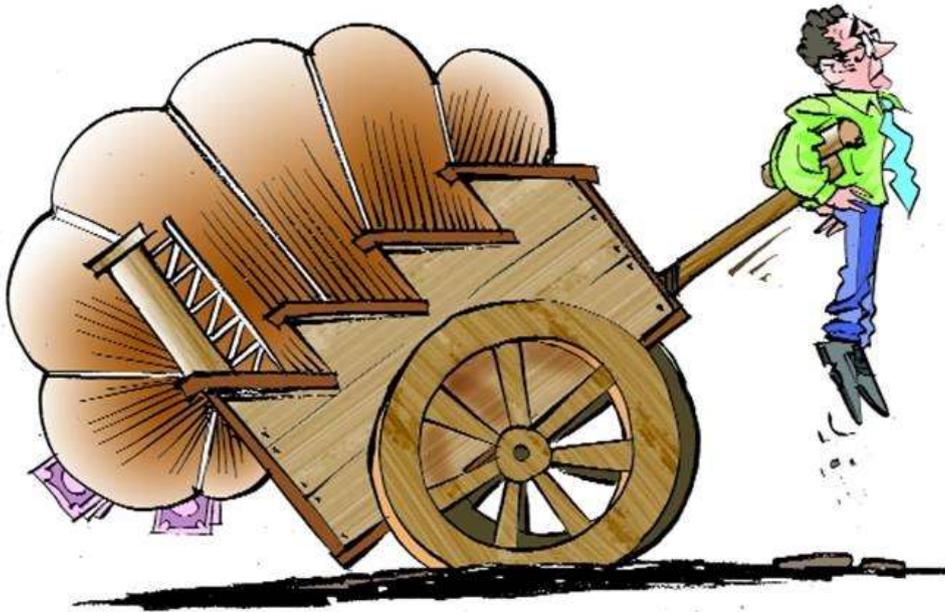


NPA trouble: Agriculture loan portfolios see rise in NPA levels

By: [Shritama Bose](#) | Updated: December 3, 2018 7:12 AM

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Delinquencies in the agri loan portfolios of some banks are seeing a spike. At State Bank of India (SBI), the gross non-performing asset (NPA) ratio for its agri loan book shot up to 11.43% at the September-end this year from 9.93% on September 30, 2017; slippages or accretion of fresh bad loans were Rs 2,700 crore.

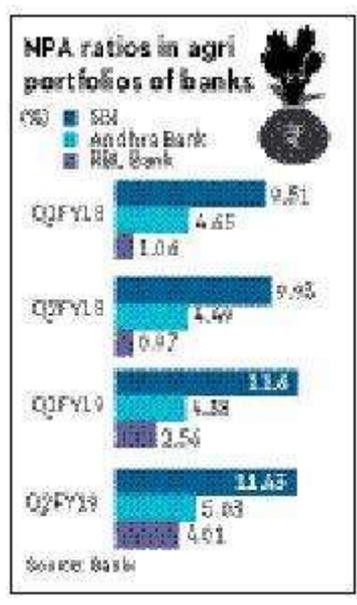
The largest private bank by assets, HDFC Bank, too, admitted to facing repayment pressure in agri loans, even as it didn't disclose the quantum of slippages. Paresh Sukthankar, deputy MD, had told analysts after the June quarter results, the value of agri NPAs had moved up by about 40% year-on-year (y-o-y) to Rs 2,100 crore.

Over the same period, the bank's Kisan gold card portfolio had expanded

by about 20% to Rs 38,458 crore.

“There are impacts, of course, some of which are related to the intrinsic ability of those customers, but a lot of it is also linked to the uncertainty which tends to come in when they believe they may get a waiver,”

Sukthankar had said.

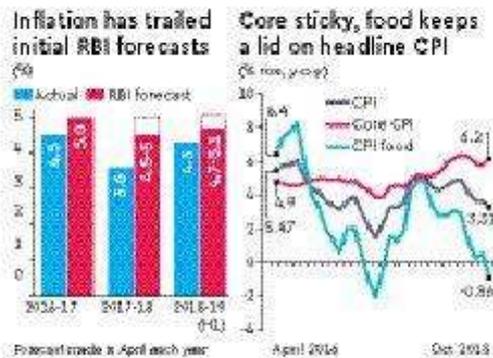


After the Q2FY19 results, the management said while the September quarter was typically better than the April-June period due to seasonal factors, the agri loan portfolio was not in very good shape at the end of September either.

Union Bank of India saw slippages worth Rs 784 crore in Q2FY19, up 87.5% y-o-y and 47% sequentially. In comparison, the bank’s agri loan book grew 8% y-o-y and 2.4% sequentially to Rs 46,340 crore. NPAs formed 7.62% of Union Bank’s agri loan book at the end of September 2018. MD & CEO Rajkiran Rai G, said the stress was arising out of small accounts in four large states.

MPC: Rates to hold

Low food inflation reins in CPI, exposes chinks in RBI



Retail inflation may average 4.6% this fiscal. Excess supplies have kept food inflation low. Expect status quo in the MPC meeting next week.

— DK JOSHI, chief economist, Citil

Incrementally, price pressures in food could see a moderate build-up as kharif MSPs come into play. Anticipate 70 bps impact from this spread over H2FY19 and H1FY20.

— SHUBHADA RAO, chief economist, Yes Bank

Cost-push inflation is a passing phase, while the economy is transitioning towards a lower-growth-lower-inflation path. Monetary policy to stay on prolonged pause.

— SONAL VARMA, chief India economist, Nomura

“It is coming from three major states, Maharashtra, Uttar Pradesh and Karnataka,” Rai said, adding, “Now, I think it has started coming from Rajasthan also. It is mostly the election and election-related states where the debt waiver issues are coming up, so that the mostly the NPAs are coming from those places. This is coming from mostly the small loans, the crop loans and those kind of things.”

Private lender RBL Bank saw agri NPAs shoot up to 4.01% in Q2FY19 from 2.56% at the end of Q1FY19 and 0.97% in the September quarter of FY18. This coincided with an decline in overall slippages. In a post-results note, Kotak Institutional Equities (KIE) wrote, “Slippages were low at 1.3% of loans, but agriculture remains the key area of concern.”

Widespread farmer distress is one of the issues over which state elections have been contested over the last couple of years. The practice has been criticised by some economists